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with Shopping Center Age

December 1983

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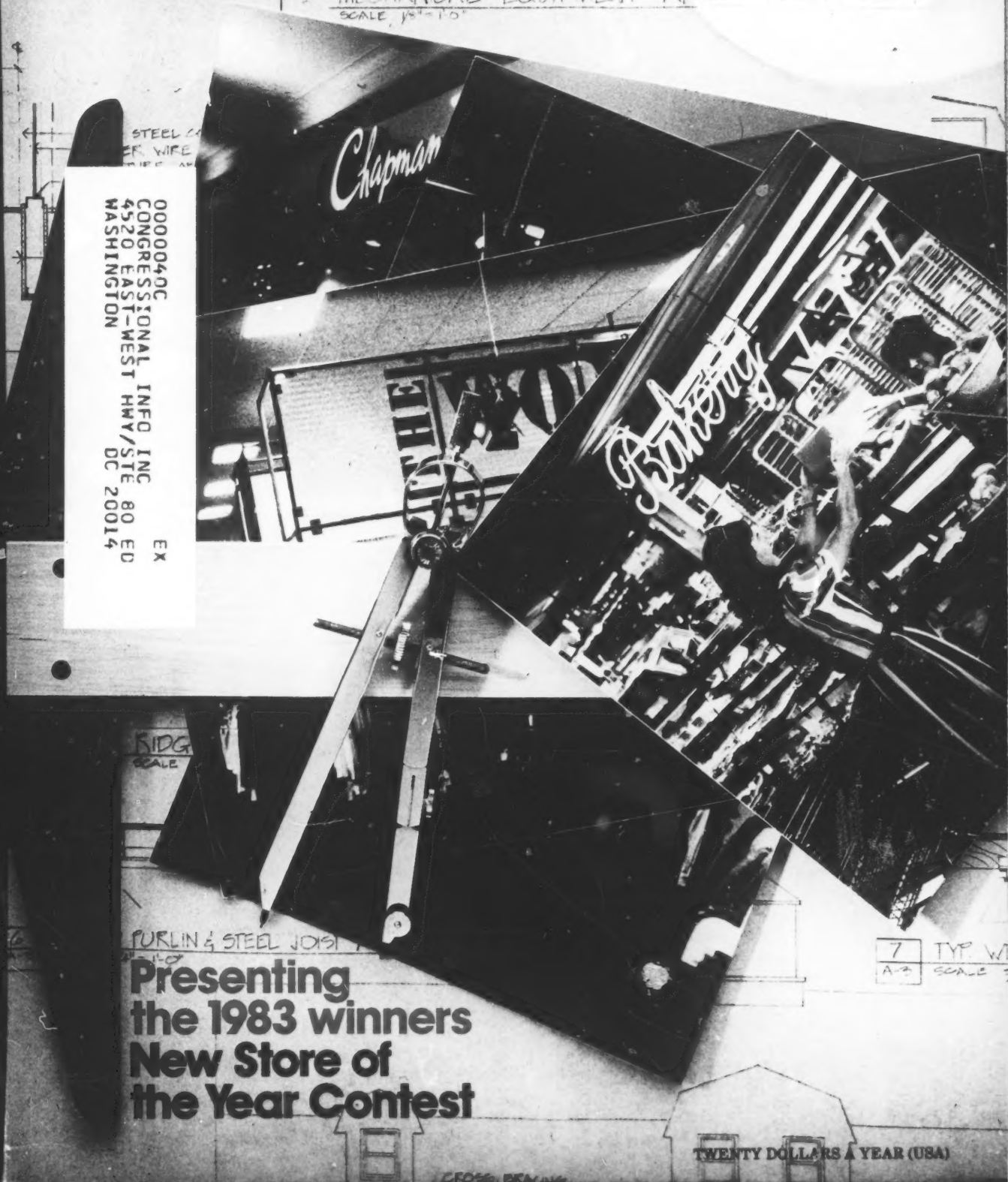

Presenting the 1983 winners New Store of the Year Contest

TWENTY DOLLARS A YEAR (USA)

Chain Store Age EXECUTIVE Volume 59, No. 12/December 1983

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Management's desktop PCs keep execs on top of business

Introduction of personal computers gives managers more time to make decisions instead of paperwork

Automation is out of the trenches. Executives in the retail command posts are discovering that the personal computer, or PC, can increase their own productivity by flushing out bottlenecks at the decision level.

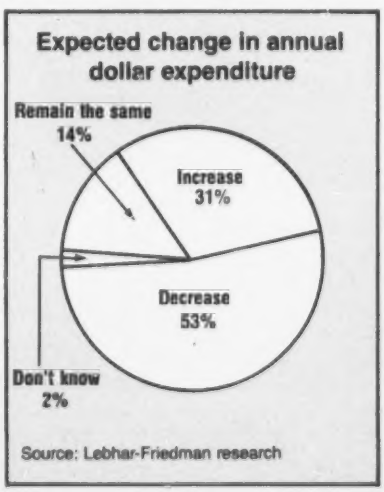
"Throughout the whole ordering, purchasing and decision-making process, the key to desktop computing in retail is putting tools in the hands of managers that will give them access to timely information," says David Dell, director of research for the Diebold Group, a New York consulting firm.

The efficiency concern is a competitive one: retailers agree that they are going to be forced to speed the management information flow to keep up. Norm Cron, controller at Dawahares department stores in Kentucky says, "In retailing, it's of the utmost importance to get information back to buyers as quickly as we can, so that they can make intelligent decisions on reordering. If we sell something today, the buyers must get that information as soon as possible so they can react to it."

Russ Dachel, director of MIS for Co-op Shopping Centers in Wisconsin, a discount chain, believes the personal computer will soon be essential. He predicts, "In the next three to five years, you'll see one of these micros on all your management's desks, especially top management."

A special study by *Chain Store Age Executive* disclosed, however, that of 200 top chains surveyed in five categories of retailing, only 87 use the personal computer.

This finding isn't odd. Gerald Stack, manager of personnel systems for J. C. Penney and an expert in computers, said that it wasn't until the introduction of the IBM personal computer late in 1981 that the PC "was endorsed as a business tool. IBM gave it legitimacy, where before it was a toy or a fad." Many retailers are still concentrating on automating at the point-of-sale or in distribution. But experts now estimate that by 1990, some 10 million PCs will be on the market, and half will be owned by businesses.



The PC is a tool for analysts, those who too often wind up making more paperwork than they do decisions. For them the PC can eliminate the slow, manual tasks—such as writing reports—by finding, analyzing and producing information in seconds, instead of days.

"The PC frees managers to do the things they never had time to do before," explains Stack. "They can do new calculations to explore other concepts. They can do the searching, the investigation, the analysis. The data was there, but you could never take the luxury of searching the files, collecting it and comparing it." Now, the speed and accuracy the PC introduces, observers say, will transform modern business.

For the retailer, the PC can keep track of sales, inventory, accounts payable and receivable, orders, payroll and the general ledger. It can analyze and compare all that data. It can write budgets, form models, do

hurdle rates on 20-year projections. It can draw graphs, communicate with a mainframe, with other PCs and with outside data banks. It can store and retrieve, interface with point-of-sale equipment and produce an instant flow of merchandising information.

Take, for example, the midlevel manager who wants to present an idea to the chieftains. With the PC he has "such a vast amount of material he can prepare," says Stack. "And that preparation stops a lot of hip-shooting and gut feels, believe me."

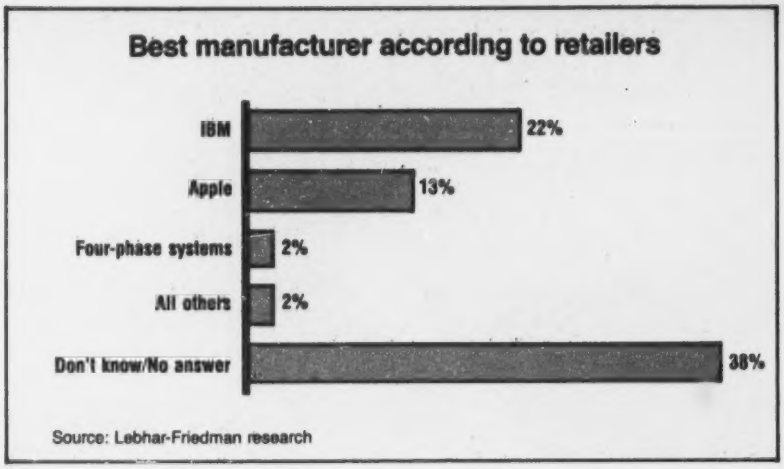
But introducing the PC into a business may not be as simple as salesmen would have it appear. Though Stack cautions retailers not to be afraid of the computer, the process of putting one in a business requires gathering and putting together business information in a coherent format so that the manager can use it. Dell notes that, "In many chain stores, that information is not readily available, and that's no fault of the micros. There's a massive job that needs to be done in providing data bases that will be useful to people."

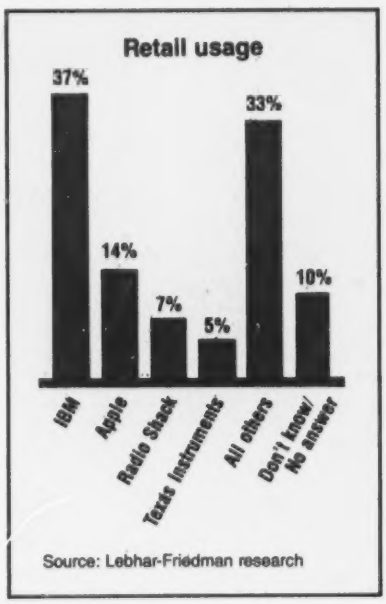
That, says Dell, "requires a system that will give you timely information and an information system in the company that will back it up. Desktop computing will, of course, help people perform their individual tasks, but as far as their day-to-day work in the company goes, it usually depends on information from somewhere else, and having that available in a rational way is very important."

Dell notes that data bases in companies which are conglomerations of acquired chains "don't quite fit together." If one has a manual filing system and the other an electronic one, or if items are called by different numbers, or if billing periods are different, the systems "are very hard to integrate," Dell says.

To accomplish integration, says Dell, requires "substantial work" in two areas. First is the horizontal information flow—making sure that inventory and sales information, for example, goes by the same definition and enters the same data base. This area "is where real productivity gains come from," says Dell, by making the data on which buying decisions are made both available and usable.

The second issue is vertical integration, where the data up on the mainframe gets down to the PC. The PC must connect with the central data base, and once it does, the operator must be able to find, compare and use the data. With more powerful software and with new telecommunications systems that can transmit both voice and data, these connections are becoming easier to make.





At its most basic level, Penney's Stack says a computer system must have good input of information, good output and good system support from data processing or a mainframe.

The initial step a retailer should take once he decides to computerize is to buy the software. "The first and most important thing to do," says Dawahares' Cron, "is to find programs that will fit your company, and then find a computer that will run those programs. Many corporations buy the computer and then find a set of programs to run on it.

"In our case, buying the software first eliminated most of the internal reorganizing. We were able to adapt the programs to our system, rather than changing everything in our system. You've got to have a set of software that will do what you want it to do. If you don't have that, it doesn't do any good to computerize."

Penny's Stack agrees. "Don't go out and buy the hardware," he says. "Buy the software for the functions you need." And that software must be powerful enough to handle the amount of information a business uses in the way the business uses it. Stack suggests time-sharing before buying to give the uncertain user a chance to acquaint him with various programs and hardware capabilities. He also advocates using "off-the-shelf" software and leaving programming to the specialists.

The decision to computerize management rests, as always, on return on investment, and that return must be calculated on much more than the time a PC can save a manager.

Says Dell, "A buyer with a salary of $40,000 may be responsible for placing $1 million worth of orders a year. You can talk about saving 2% or 5% or 10% of that person's time. But that isn't where the money is. The money is in that million-dollar decision: whether helping that buyer is going to get the company 10% more merchandise or cut the price of that merchandise or reduce the amount of time that merchandise is held. That's the point. The individual who has responsibility for that decision can be much better leveraged by having the right tools and information."

The second point, says Dell, is that "each person should realize that just getting his job done better or a little faster isn't the whole issue. Something else may be riding on what he does. It's a chain reaction, and he might be the bottleneck in a million-dollar decision."

At all levels of management, the personal computer can make tremendous contributions to productivity. Penney's Stack notes that the PC does—quickly and accurately—"all the store level calculations that allow the store manager to do the things he should be doing, but isn't." He predicts that the use of the PC "is just beginning to explode." ■

—Carolyn Lochhead